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Miller, Ellison Introduce The Safe Banking Act of 2012

Washington, D.C. - House Financial Services Committee Members **Reps. Brad Miller (D-NC) and Keith Ellison (D-MN)** today introduced legislation in the House of Representatives that would for the first time ever impose size and leverage limits on extremely large banks and other financial institutions - *"* *The Safe, Accountable, Fair, and Efficient Banking Act of 2012* ". The bill is identical to legislation sponsored yesterday in the Senate by Senator Sherrod Brown of Ohio. Senator Brown and Rep. Miller introduced the same legislation in 2010.

"The gigantic size of megabanks, and the perception in the marketplace that they are too big for the government ever to permit to fail, gives them an unfair competitive advantage over smaller financial institutions that distorts the market and discourages competition." **Rep. Miller** said. "The lack of competition in the banking industry, in turn, leads to ever-higher levels of risk in the system."

The ten largest U.S. banks today have total assets estimated to be in excess of 61 percent of our national GDP.

Senator Sherrod Brown, Chairman of the Senate Banking Subcommittee on Financial Institutions and Consumer Protection, held a hearing yesterday to examine current "Too Big to

Fail" policies. "As our nation's economy begins to recover, we must ensure that megabanks cannot take the same kind of risks that hurt so many of our nation's families and small businesses," **Brown** said. "That's why we need to place sensible size limits on our nation's large financial institutions and ensure that if banks gamble, they have the resources to cover their losses."

Chairman of the House Financial Services Committee Spencer Bachus suggested yesterday that he is considering a hearing on "Too Big to Fail," to evaluate whether these institutions are "too big to manage and maybe too big to exist." In a letter to Chairman Bachus, Congressman Miller encouraged him to hold a hearing on the legislation and consider joining as a cosponsor.

The statutory caps included in the bill would immediately affect a handful of extremely large banks and financial holding companies. Under the bill, banks and non-bank financial companies would have one year to reduce their assets to less than two or three percent of U.S. GDP, respectively.

"The experience of the past few years demonstrates that large banks are more likely to become highly leveraged and therefore create excessive risk," **Rep. Ellison** said. "That is why the clear and reasonable leverage limits in this bill are so important to the stability of our financial system."

The SAFE Banking Act limits the size of megabanks by:

- Imposing a strict 10 percent cap on any bank's share of the total amount of deposits of all insured banks in the U.S. This would eliminate loopholes in the existing statutory cap.

- Imposing a strict 10 percent cap on the liabilities that any one financial company can take on, relative to the U.S. financial sector. Like the deposit concentration limit, this closes loopholes in existing law.

- Imposing a limit on the non-deposit liabilities (including off-balance-sheet (OBS) exposure) of a bank holding company of 2 percent of GDP. No bank holding company could exceed $1.3 trillion.

- Imposing a limit on the non-deposit liabilities (including OBS exposure) of any non-bank financial institution of 3 percent of GDP. No non-bank financial company could grow larger than $436 billion.

- Codifying a 10 percent leverage limit (including OBS exposure) for large bank holding companies and selected nonbank financial institutions into law.

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